

2007-00455

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC
ATTORNEYS AT LAW

Ronald M. Sullivan
Jesse T. Mountjoy
Frank Stainback
James M. Miller
Michael A. Fiorella
William R. Dexter
Allen W. Holbrook
R. Michael Sullivan
Bryan R. Reynolds
Tyson A. Kamuf
Mark W. Starnes
C. Ellsworth Mountjoy
Susan Montalvo-Gesser

October 18, 2007

RECEIVED
OCT 19 2007
PUBLIC SERVICE
COMMISSION

Via Federal Express

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, Kentucky 40602-0615

Dear Ms. O'Donnell:

Representatives of Big Rivers Electric Corporation ("Big Rivers") and E.ON U.S. LLC ("E.ON") met with the Public Service Commission ("Commission") staff in an informal conference on April 4, 2007, to discuss their plans to "unwind" the lease and power purchase transactions between them that the Commission had approved in 1998. Those present included representatives of the Attorney General's office, and other interested parties.

The presentations made by the representatives of Big Rivers and E.ON described in varying levels of detail the approvals the parties anticipated seeking from the Commission, the proposed new arrangements to sell power to two aluminum smelters in Western Kentucky, the remaining obstacles to finalizing the various aspects of the "unwind transaction" and the potential timetables for the approvals required from the Commission. Big Rivers verbally committed that it would give the Commission staff at least 30 days advance notice of the filing of the application seeking the bulk of the approvals of the transactions it would require.

Following a 30-day notice, Big Rivers made the first of the filings in connection with the unwind transaction on July 2, 2007, in P.S.C. Case No. 2007-000177 seeking a certificate of public convenience and necessity for construction of a transmission line that is critical to its financing and risk planning in connection with the unwind transaction. That case is scheduled for decision on October 30, 2007.

Since that informal conference, Big Rivers, its members, E.ON and the smelters have achieved several critical milestones in connection with the various aspects of the unwind transaction. Based upon these achievements, Big Rivers and E.ON are now advising the Commission that at the end of 30 days from the date of this letter, or soon thereafter, Big Rivers and E.ON, LG&E Energy Marketing, Inc. and Western Kentucky Energy Corporation expect to file a joint application with the Commission seeking approvals of the proposed unwind transaction.

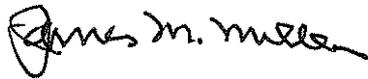
Telephone (270) 926-4000
Telecopier (270) 683-6694

100 St. Ann Building
PO Box 727
Owensboro, Kentucky
42302-0727

Ms. Elizabeth O'Donnell
October 18, 2007
Page 2

Big Rivers and E.ON are pleased to be in a position to bring to the Commission a series of transactions that are advantageous for all parties, and that provide positive economic benefits for the economy of Western Kentucky. We look forward to the opportunity to present those transactions to you.

Sincerely yours,



James M. Miller

cc: Dennis Howard
Office of the Attorney General
Utility Rate and Intervention Division
Michael H. Core
Kelly Nuckols
Sandy Novick
Burns Mercer
Kendrick Riggs
Allyson Sturgeon